

# The State of the City

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Prepared by  
Mayor Carolyn A. Kirk

October 2010



**Dear Citizens of Gloucester,**

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*In April of 2008, I delivered the first-ever comprehensive State of the City report. It touched on everything from a breakdown of the municipal budget to infrastructure needs to economic development to hard numbers on where your tax dollars go.*

*This is the 3<sup>rd</sup> Annual State of the City report, and is a continuation of what I hope is an ongoing dialogue about our city. This process provides citizens, municipal employees, and my elected colleagues on the City Council and the School Committee with a common framework for understanding the challenges we face, and the need to meet them.*

*In neighborhood "State of the City" meetings throughout the city, we talk about the character of our beautiful Gloucester. And the character of the city is found in its people – people who come together to take care of their own, and rise to meet the challenges placed before them.*

*For the past two years, I have said that it is the very city itself that needs us now. Citizens have risen to the occasion, and Gloucester is stronger for it.*

**Yours faithfully,**

**Mayor Carolyn Kirk  
October 2010**

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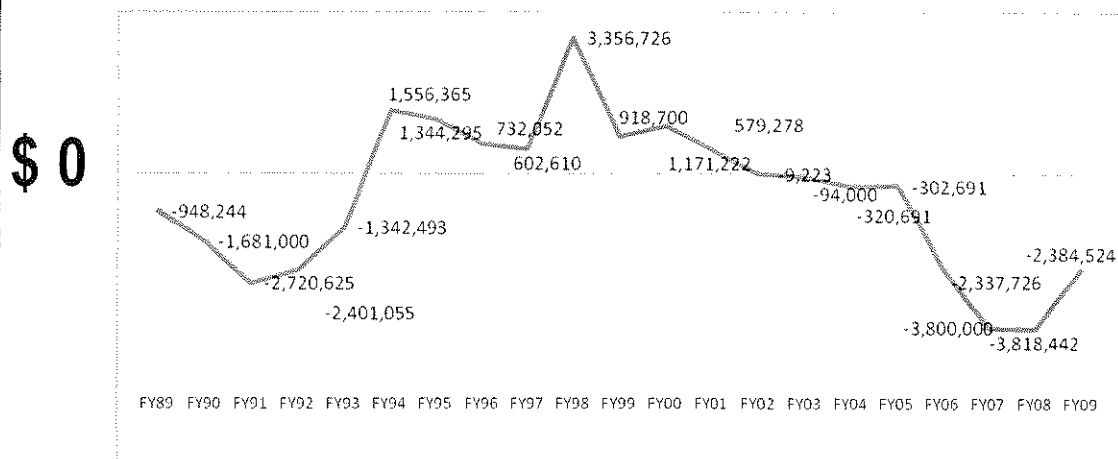
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# *FINANCIAL OVERVIEW*



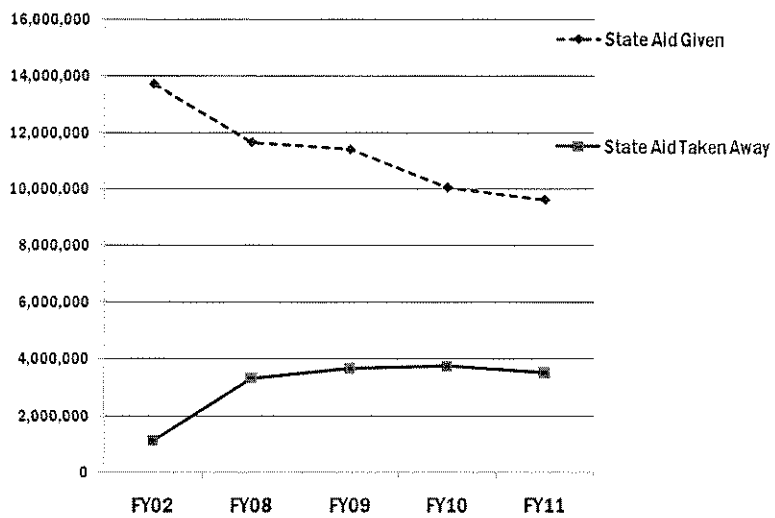
**FREE CASH:** *This is the number one index the Administration is monitoring to gauge the fiscal health of the city. Negative free cash has prolonged Gloucester's recovery and reinvestment in the city and schools. We anticipate positive free cash this year.*

### Free Cash = Financial Flexibility and Fiscal Discipline



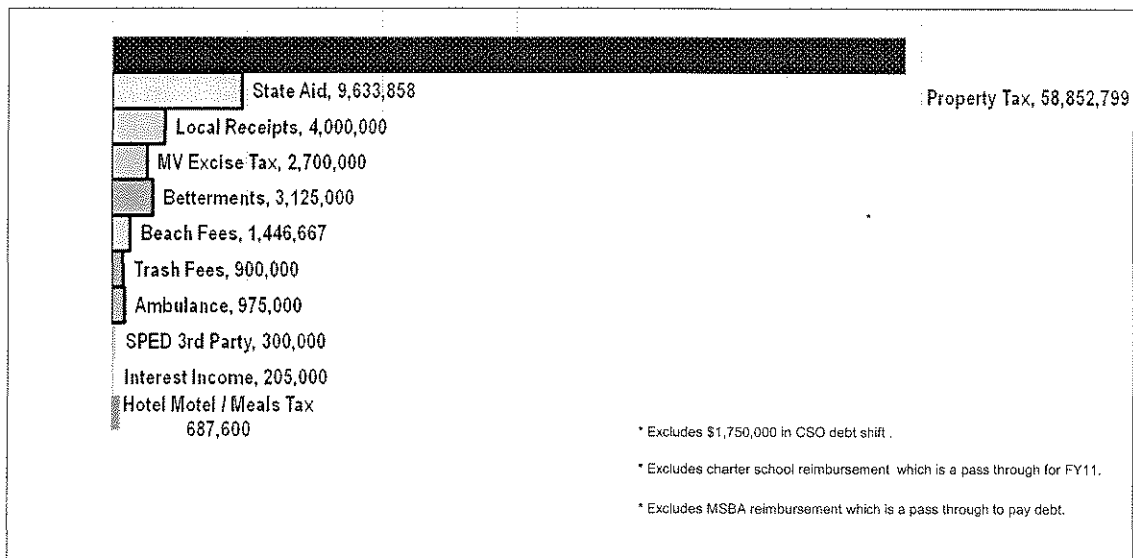
**REVENUE DECLINE - STATE AID:** *State aid is an unreliable revenue source for supporting local services.*

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**REVENUES:** *Property tax remains the single highest contributor to city revenue by far.*

Revenue\* Budgeted for FY11



For exact figures, see FY11 budget.

**PROPOSITION 2 ½ EXPLAINED:** *Under tax policy in Massachusetts there are only three ways to balance the annual budget: 1. Grow Revenue (through new growth and development and/or fee and tax increases); 2. Cut Expenses; 3. More State Aid.*

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***How the tax opportunity is calculated:***

**GLOUCESTER'S PRIOR YEAR LEVY = \$ 58,852,799 x 2.5% =**  
**\$1,418,593**

**NEW GROWTH ESTIMATE = \$550,000**

**=====**

**GROSS INCREASE FOR FY11 = \$ 1,968,593**

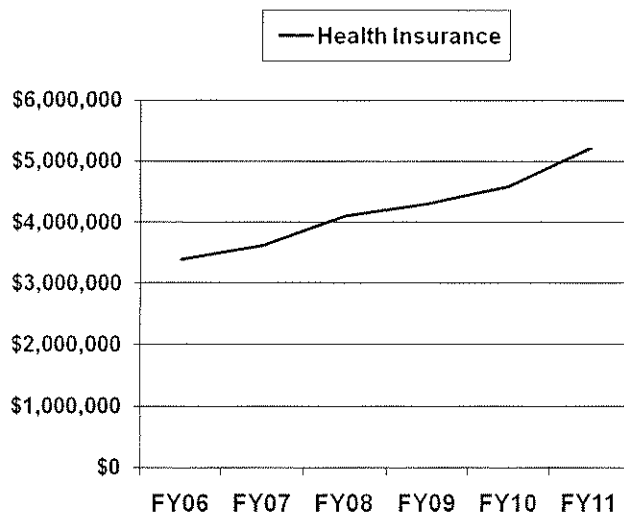
**FY12 FORECAST:** *As anticipated, FY12 is shaping up to be the most difficult year yet. Gloucester has managed through the two-year downturn without layoffs, however, it is likely that we won't escape layoffs this year.*

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<b>FY 12 GROSS INCREASE</b>	<b>\$ 2 MILLION</b>
<i>Local Aid Cut:</i>	- \$1 million (10%)
<i>Health Insurance:</i>	- \$1.8 million
<i>Charter School:</i>	- \$510,000
<i>Regional Vocational School:</i>	- \$200,000
<i>Labor Contracts:</i>	- > \$800,000 (Schools – step and track; contract settlements)
<i>ARRA Funding (Schools):</i>	- \$750,000
<i>Utilities / Capital Needs:</i>	- > \$300,000
<b>FY12 DEFICIT:</b>	<b>\$3.3 MILLION</b>

**TRENDS IN CITY EMPLOYEE HEALTH INSURANCE COSTS:** *The single-biggest budget buster is the rise in employee health insurance costs. The single-biggest reform local government needs is "plan design" authority from Beacon Hill.*

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- Average annual increase: \$365,000

- Last year's increase: \$624,797

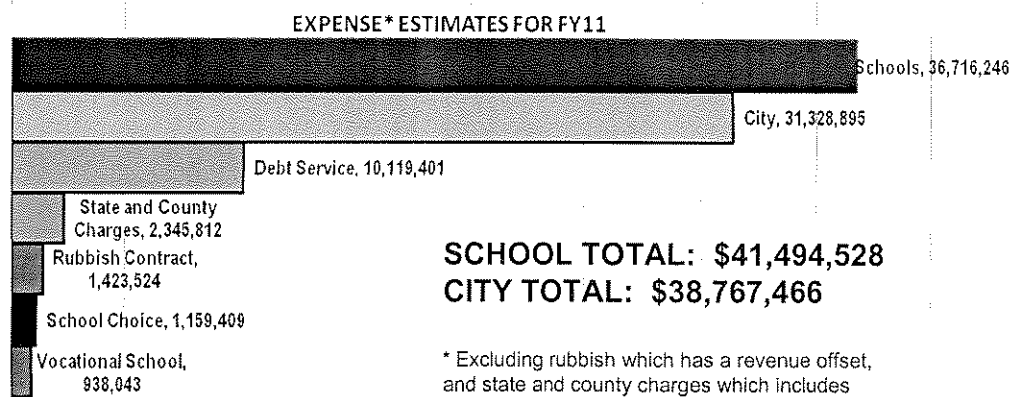
- This year's increase: \$750,000 - city-only

*School trends are similar.*

- Volatility makes it very difficult to do budget planning.

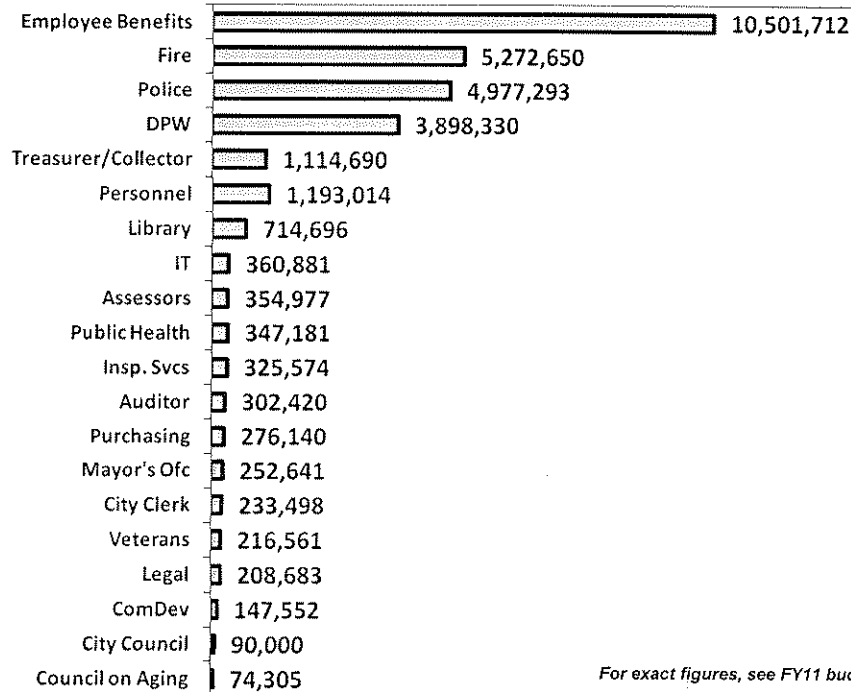
**OVERALL SPENDING:** *On an estimated total FY11 budget of \$85 million, school spending represents the largest city expenditure.*

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*For exact figures, see FY11 budget.*

**CITY SPENDING BY DEPARTMENT - FY11:** *Employee benefits (health insurance and pensions) represents the greatest expense. Municipal leaders have no direct control over either.*



*For exact figures, see FY11 budget.*

**BOND RATING:** Gloucester's bond rating has held firm at Double A with a negative outlook. We anticipate the negative outlook to lift once FY10 financials are reported.

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### ***Moody's Investors Service – Sept. 8, 2010***

***"Negative outlook incorporate's city slim financial position with moderate improvement expected in near term... ongoing pressure due to recessionary revenue weaknesses at state and local levels."***

***"Favorable access to capital markets given history of competitive bids."***

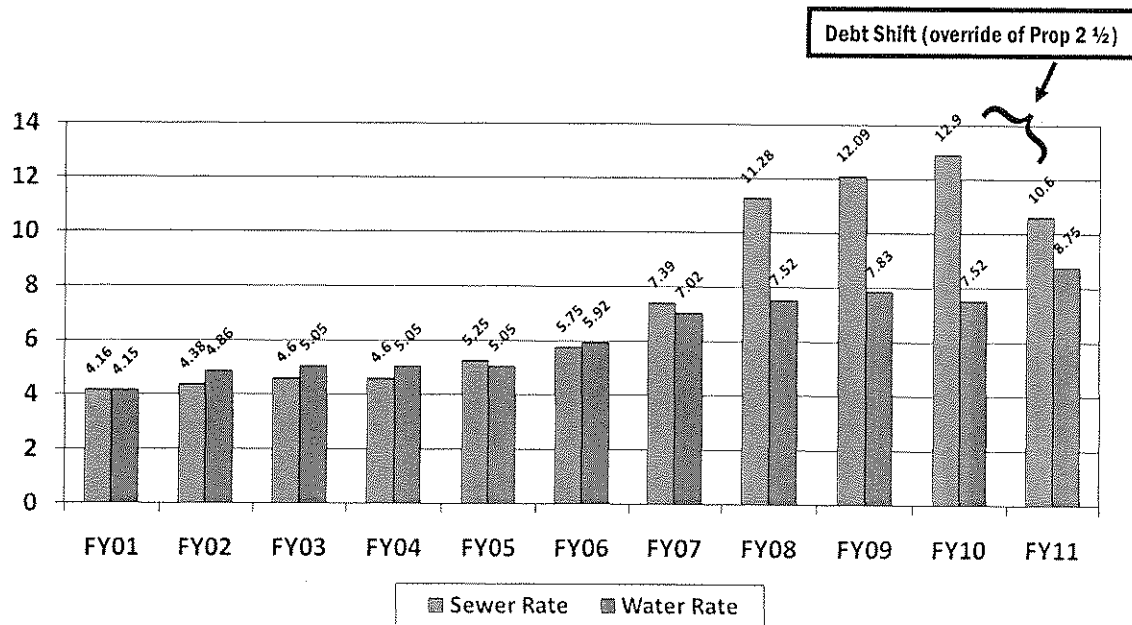
***"Manageable debt burden."***

***"Conservative budgeting and effective expenditure oversight."***

***"Ongoing improvements in financial reporting, monitoring and expenditure management enhanced stability of 2010 operations despite significant reductions in state aid."***

***"Water quality restored and system operations stabilized."***

**RATE SHOCK:** Relief on the sewer rate was recently obtained by shifting the CSO debt to the property tax. But it still comes out of the resident of Gloucester's pocket.



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# *INFRASTRUCTURE*



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# Drinking Water

**DRINKING WATER SYSTEM:** *Gloucester's drinking water system is comprised of: source water; water treatment plants; storage facilities; pump stations; and distribution pipes.*

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**East Gloucester System:** Babson Water Treatment Plant, and Babson and Goose Cove Reservoirs

**West Gloucester System:** West Gloucester Water Treatment Plant, Dykes, Haskell, Wallace, and Fernwood Reservoirs

**Constantine Maletskos (Klondike) Water Treatment Plant :** Provides supplemental water from a quarry source and is located in Lanesville

**Water Storage Facilities:** Bond Hill Tank 7.6 million gallons (MG), Plum Cove Standpipe 1.0 MG in Lanesville, and Blackburn Tower 0.6 MG

**Pumping Stations (PS):** Haskell PS & Wallace PS that transfer water to Dykes and Fuller School PS supplies the Blackburn Tower and high pressure area

**Distribution Pipelines:** Over 120 miles in length with interconnections to neighboring communities

**DRINKING WATER – Water Treatment Plants (WTP):** *During 2009 and 2010, the city has spent \$11.6 million on its drinking water treatment plants and systems.*

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**2009/2010 WTP UPGRADES:**

West Gloucester Treatment Plant Upgrades,  
e.g., Removal of chlorine gas

\$3 Million - Planned

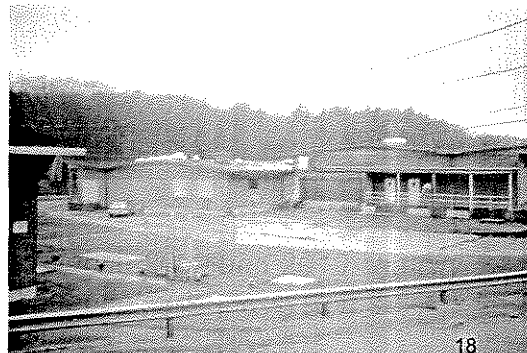
Babson Water Treatment Plant (WTP) Inlet,  
Sedimentation, and Filtration Improvement;  
and Reservoirs Intake Improvements

\$3.9 Million - Emergency

Chemical Optimization, Control, and  
Communication: Babson, West Gloucester,  
Klondike WTPs, Pump Stations, and Water  
Storage Facilities

\$4.7 Million – Emergency

Three Years of Testing, Design, Permitting, and  
Construction in a Year: Low Interest State  
Loans with \$700K in ARRA Loan  
Forgiveness



**DRINKING WATER – Water Quality Improvements:** *While controversial, chloramines was the only solution available for addressing the disinfection issues in the timeframe laid out by MassDEP.*

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**August 2009 Boil Order Issues:** No Disinfectant Residual, Bacteria Detections, 20 Day Boil Order, Chlorine Boosting, and High Disinfection By-Products

**October 2009:** City Mandated by MassDEP for WTP Upgrades and Addressing Issues with Distribution System Disinfection

**November 2009:** Chemical Optimization Testing Begins, and Upgrade Correction Action Plan to MassDEP

**Summer 2010 Babson Water Treatment Operation with Chloramines:**

Distribution System Disinfectant Residual Maintained  
Limited Bacteria Detections, Below State Limits, No Boil Order  
Disinfection By Products Dramatically Reduced & Compliant  
Lead Sampling Results all Below State Action Levels  
Additional Corrosion Inhibitor to be used Following Fall Flushing

## **DRINKING WATER - Distribution System / Water Storage:**

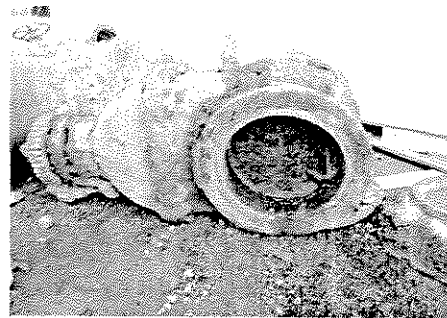
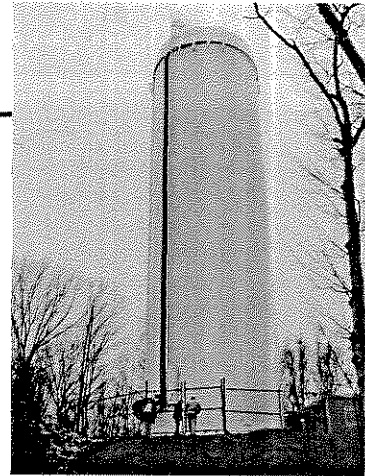
### **126 Miles of Pipelines Under Our Streets**

- 60% are unlined cast iron
- Life expectancy of cast iron mains is reached

### **Brown Water**

- Common in older water systems
- Dead ends and lack of looping decrease system circulation
- High demands and flow reversals within system release iron deposits into services (fire flows, Babson vs. West Gloucester WTPs)
- Poor water quality, despite efforts at treatment plant

### **Three Water Storage Tanks**



**DRINKING WATER SYSTEM:** *Next most important (or mandated) drinking water infrastructure projects.*

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1. Western Ave. - Water Trunk Line  
\$ 4.8 million
2. Old City Area - Water Distribution System  
\$ 3 million
3. Essex Ave. - Water Main  
\$ 1.2 million
4. Rogers St. - Water Trunk Line  
\$ 3.5 million
5. Water Storage Facilities, Pump & Valve Station Improvements  
\$ TBD
6. Babson Reservoir & Fernwood Lake Dam Improvements:  
\$ 4 million

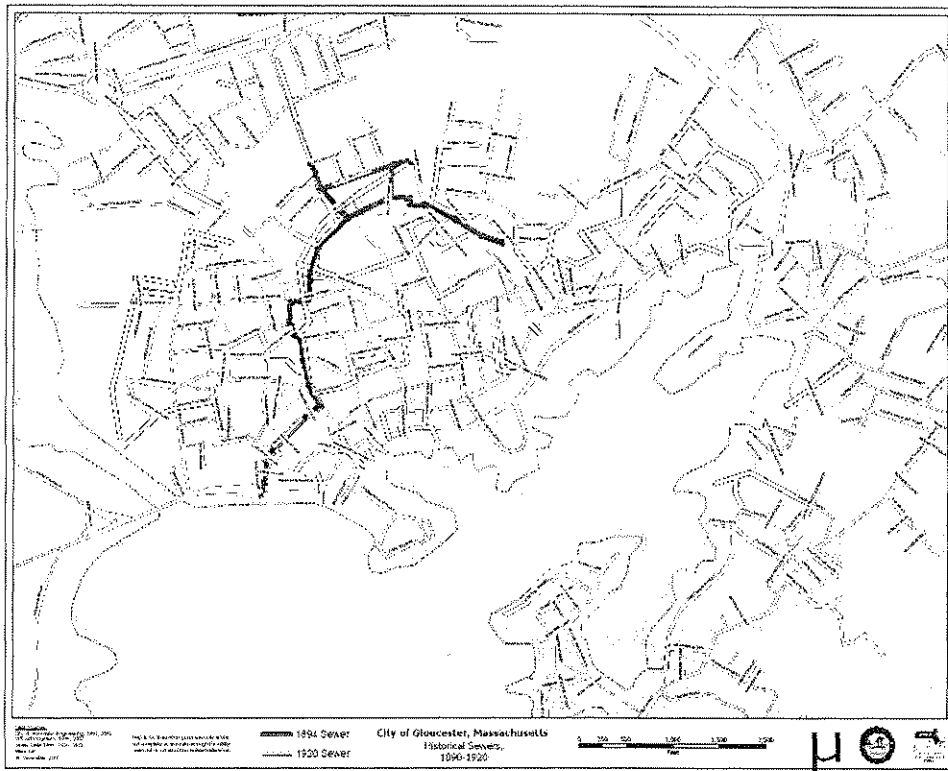
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# Dirty Water (Waste Water)

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# *A 100 year old problem...*

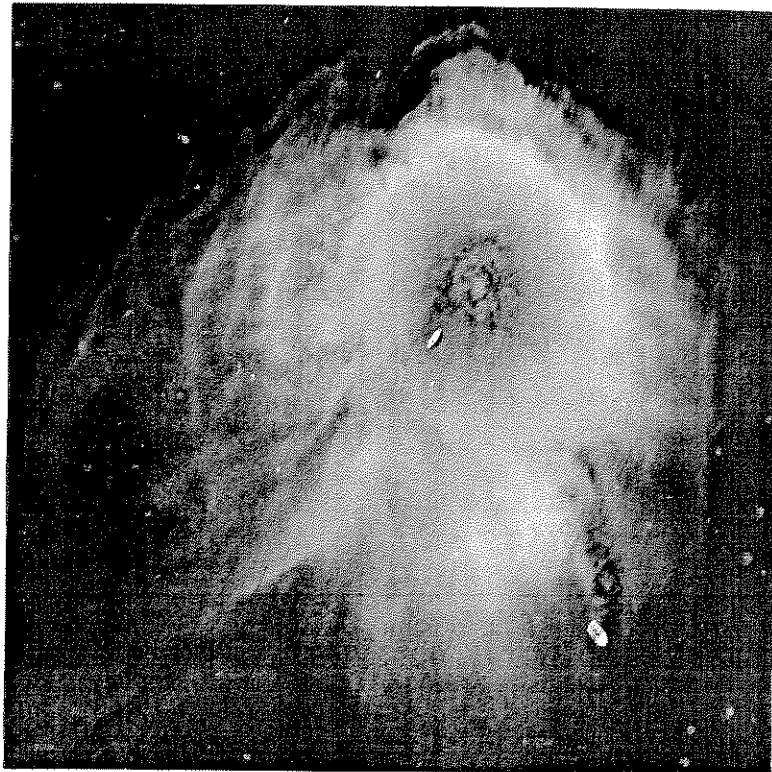
**WASTE WATER:** *In 1920, raw sewage was directly discharged into Gloucester Harbor.*



[illegible]

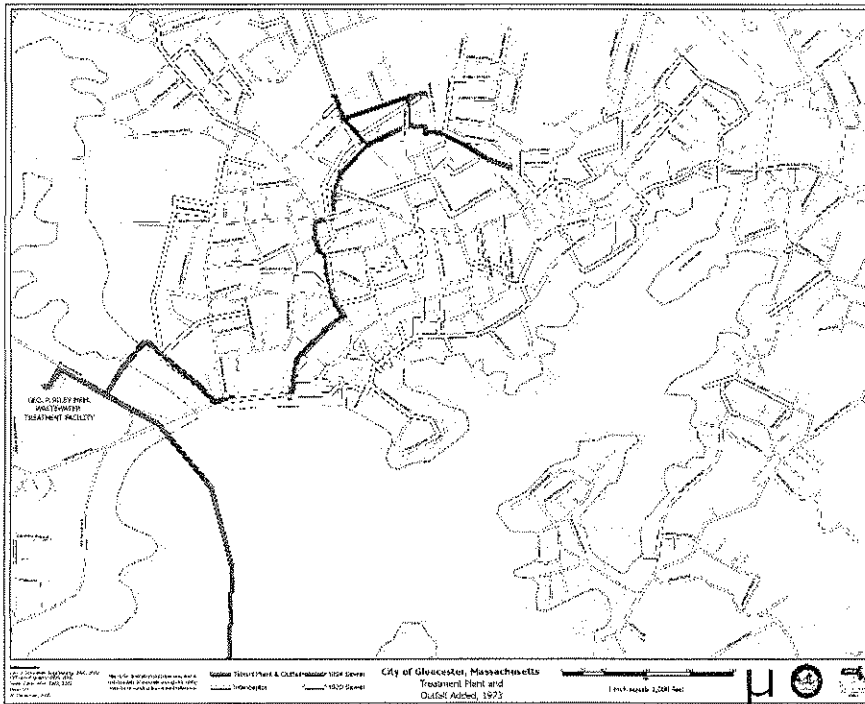
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**WASTE WATER:** *This photo of "the bubbler" shows the untreated sewage and other wastes rising to the surface in the center of the outer Harbor.*



State of the City October 2010

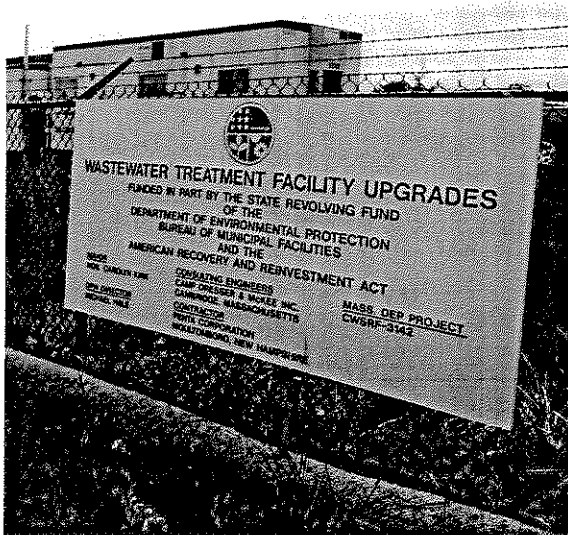
**WASTE WATER:** In 1984, the Wastewater Treatment Facility on Essex Ave. began treating the sewage prior to its release into the outer Harbor. In 1990, Zeus arrived to extend the pipe to beyond Dogbar Breakwater.



State of the City October 2010

**WASTE WATER:** *The Sewer Treatment Plant is under an Administrative Consent Order issued to the City by DEP in February 2007, and is undergoing a \$20 million upgrade.*

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1984 Primary Treatment Plant : Enhanced Solids Removal without Secondary Biological Organics Removal

Phase 1: Sludge Equipment, Electrical, and Control Improvements

\$5.1 Million

Construction startup January 2010 & Completion March 31, 2011

Phase 2: Headworks screening & grit and facility improvements

\$10.0 Million Estimated

Startup Anticipated August 2011 & Completion August 2013

State Low Interest Loans with \$500K in ARRA Loan Forgiveness

**DIRTY WATER:** *Next most important (or mandated) sewer infrastructure projects.*

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**1. Secondary Treatment: \$ 40 - \$60 million**

The water quality standards established for the receiving water (Gloucester Harbor) require a higher level of treatment than the existing plant can produce.

**2. Sewerage Pump Station Improvements: \$5 – \$10 million**

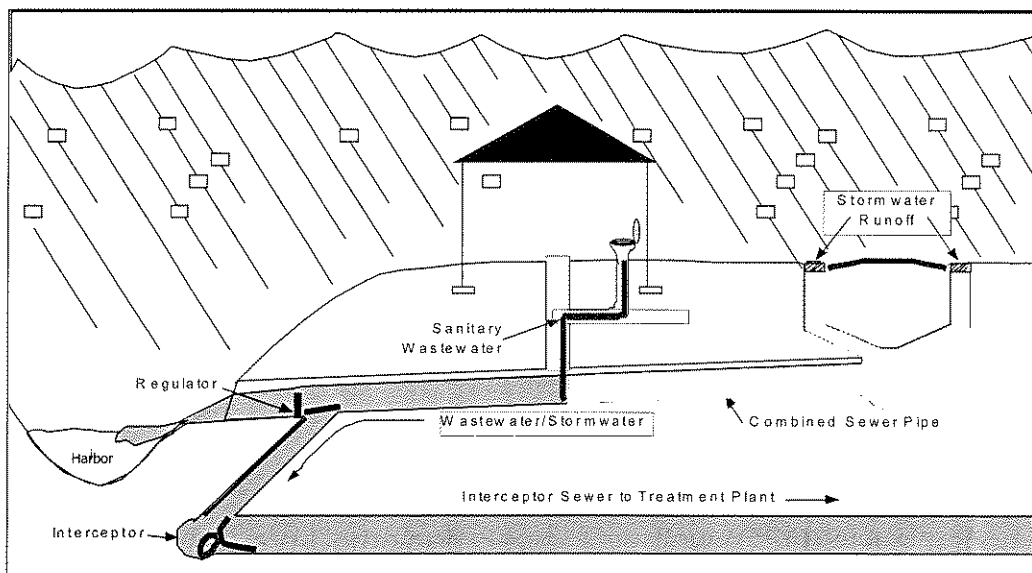
Likely Required by MassDEP due to age and conditions of pump stations. 29 total throughout sewer system.

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# Storm Water

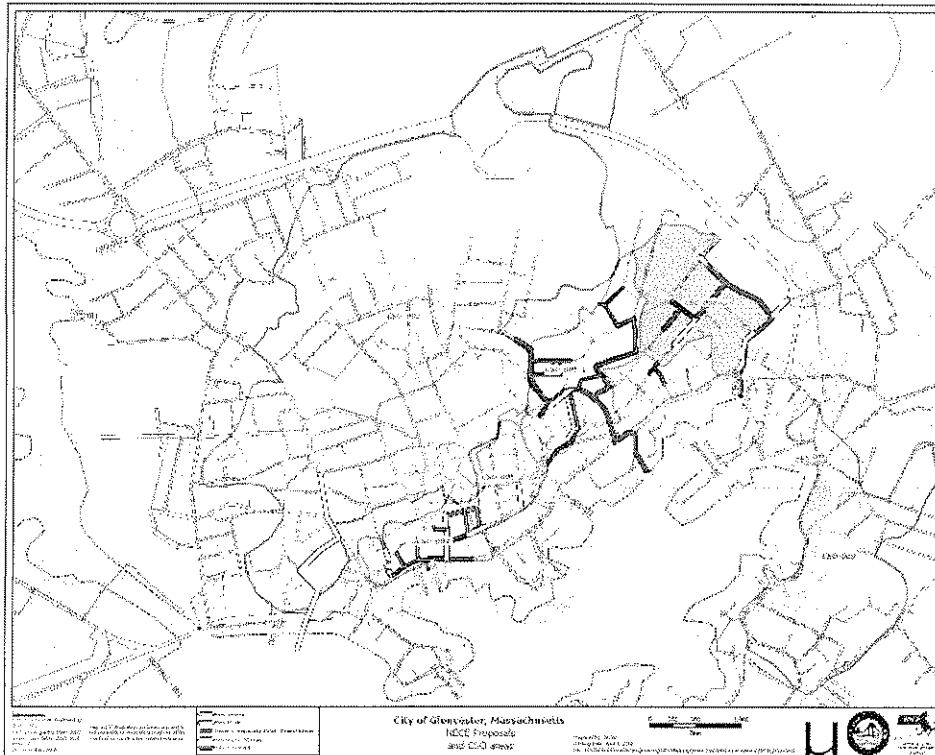
**STORM WATER:** *What is a Combined Sewer Overflow (CSO)? A situation created when sewage and storm water exceed the capacity of the pipes to move through the system resulting in sewage flows into the Harbor.*

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**Wet Weather Conditions**

**STORM WATER:** Current scope of work under the Modified Consent Decree for separating stormwater from sewer waste. Substantial progress has been made.



**STORM WATER – CSO:** *Next most important (or mandated) storm water projects.*

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**1. Combined Sewer Overflow (CSO): Three Phases Remain**  
**\$7m Estimated Cost, Work Remaining Largely Downtown**

**2. New EPA Unfunded Mandate – “MS4” General Permits (Municipal Separate Storm Sewer System):**

**2. Mass. Mayor’s Association had this to say:**

3. *The MS4 program is one of the most burdensome unfunded mandates imposed by the federal government on localities. The EPA’s estimate is that MS4 communities can expect to spend up to \$60 per capita each year to implement...*
4. *The federal government must provide funding opportunities to assist local governments as they struggle to implement the requirements associated with this program. The MS4 Permit would require communities to institute more advanced stormwater testing, monitoring and management programs, yet is completely silent on the additional costs to communities.*

**Impact on Gloucester: \$700,000 set-up; ~ \$300,000 annually (probably a low estimate). Will result in stormwater fee / assessment to property owners.**

## **MUNICIPAL BUILDINGS – Downtown Civic Center Campus:**

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**Community Values:  
Based on two Listening Posts  
Held in Spring 2010**



- A diverse and healthy commercial downtown district.
- A convenient and central location for conducting city business without driving to multiple locations.
- Careful consideration of costs and limited resources.
- Offices that provide the functionality of the modern workplace and be well-maintained and maintainable.
- The symbolism embodied by City Hall. Clear preference for seat of local government remaining in City Hall.
- Preservation and active use of City Hall.

**MUNCIPAL BUILDINGS – Fire Station:** *In a section called “Obsolete, Inadequate, and Unsafe Central Fire Station”, MRI also had this to say:*

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**Excerpts from the recent Fire Dept. Audit by Municipal Resources Inc.**

*“Station is dysfunctional in all respects.”*

*“Impossible to economically upgrade.”*

*“The 84-year-old station has long outlived its usefulness. There is no practical way to renovate or upgrade this facility to meet the needs of a modern Fire Dept.”*

*“Take immediate steps to design and construct a new central station.”*

*“Magnolia Station – a plan should be developed to repair and renovate this building or to replace it.”*

**MUNCIPAL BUILDINGS - Police Station:** *In a section called "An Inadequate Police Facility", MRI also had this to say:*

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**Excerpts from the recent Police Dept. Audit by Municipal Resources Inc.**

*"In serious need of replacement, expansion, or at absolute minimum, substantive renovation."*

*"Years of neglect relative to the upkeep of the building."*

*"Inefficient, poorly maintained, crowded, unpleasant in appearance and totally inadequate as a police facility."*

*"Does not appear to have been designed with a thorough knowledge of the needs of a police dept. and security requirements."*



**MUNICIPAL BUILDINGS – Schools:** *As of July 1, 2010, the city Department of Public Works has assumed responsibility for the maintenance and repair of all school buildings.*

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- Memorandum of Understanding in place between city and school dept.
- Facilities Manager being hired (to oversee school and city buildings).
- DPW is triaging most urgent repairs needed.
- MSBA (Mass. School Building Authority) request in from city for \$7 million in roof repair / replacement. If awarded, state match could be as high as 50%. City to borrow remainder.
- School Committee needs to determine building needs / uses for school buildings.
- Long-term capital plan needed for school buildings.

**INFRASTRUCTURE – Roads and Sidewalks:** *All paving and sidewalks are being accomplished with city of Gloucester resources and our allocation from Chapter 90. Contrary to some public opinion, no federal stimulus money has been used!*



**All or parts of these roads have been recently paved:**

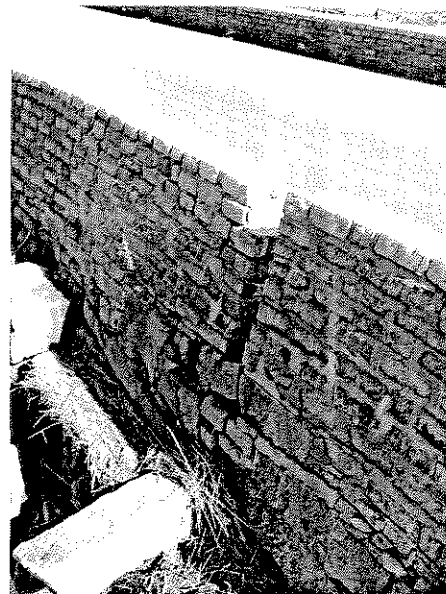
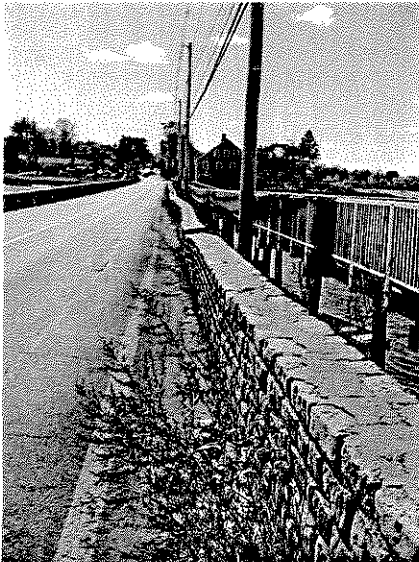
Cherry	Addison
Poplar	Prospect
Tower	Castle Hill
Causeway	Ye Old County
East Main	Washington St.
Pleasant St.	Main St.
Rogers	Atlantic Rd.
Concord	Bray
Centennial	Eastern Ave.
Witham St.	Eastern Pt. Rd.
CSO – areas	School access roads

**Sidewalk repairs / replacements / additions:**

Washington St. / Lanesville	
East Main	Centennial
Pleasant St.	CSO - areas

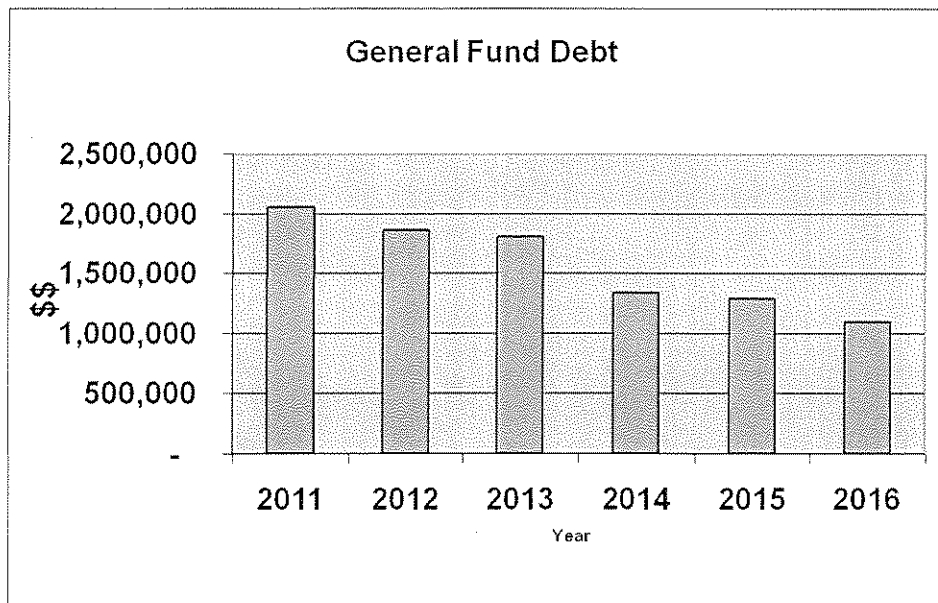
**INFRASTRUCTURE – Other:** *Sixty-two miles of coastline also burdens city resources with maintenance and repair of our coastal infrastructure.*

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**DEBT MANAGEMENT/CAPITAL PLANNING:** *If possible, we would like to cap the debt burden at today's level. As debt retires, capital projects can be initiated. To be successful, we need no new emergencies and a solid capital plan.*

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# *ECONOMIC DEVELOPMENT*



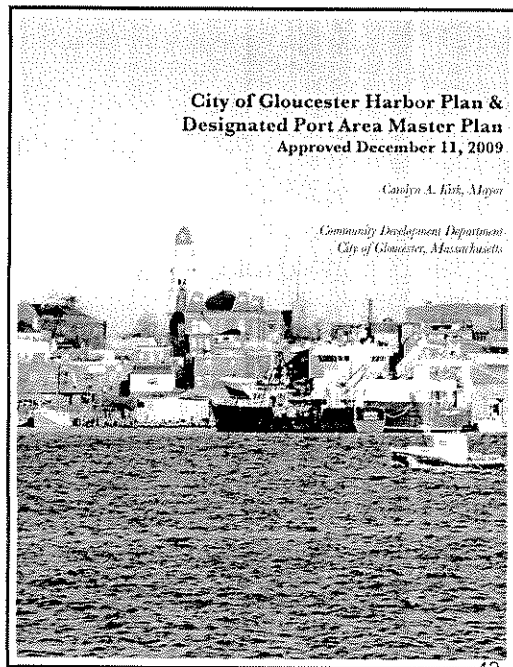
State of the City October 2010

**2009 HARBOR PLAN:** *The municipal Harbor Plan approved by the state in December 2009 is a vital economic development building block.*

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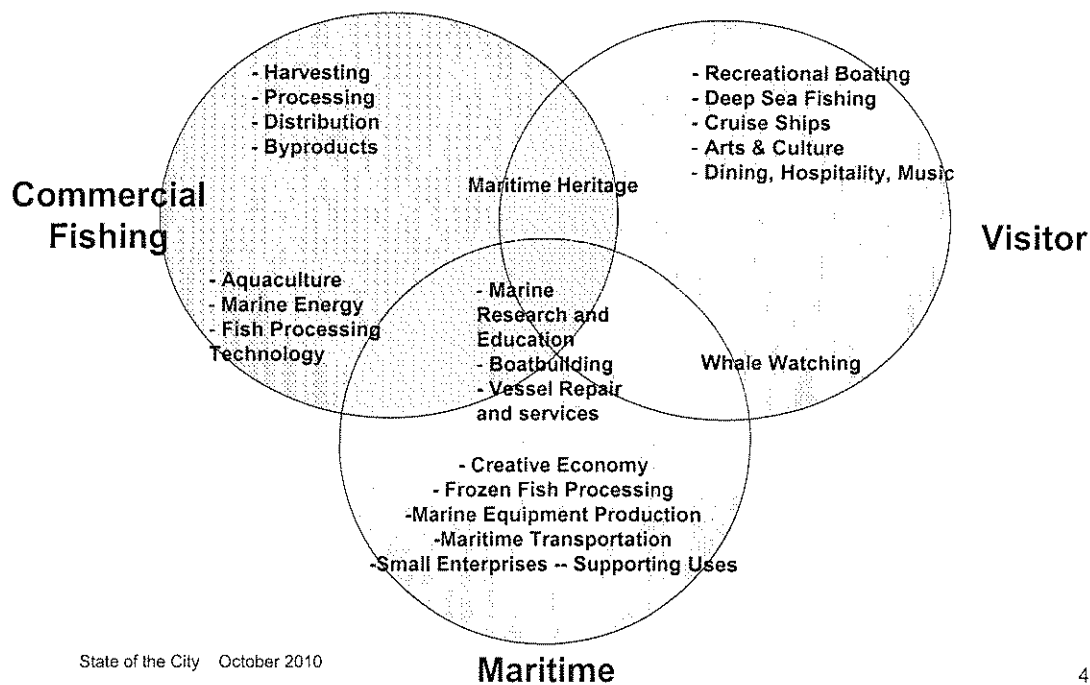
**2009 Approved Harbor Plan and  
Designated Port Area Master Plan**

- Broad community support
- Reconciling of competing needs
- Doubling of allowable commercial supporting use (from 25% to 50%)
- Escape clause for properties that cannot conform to zoning regulations, e.g., Doyon's



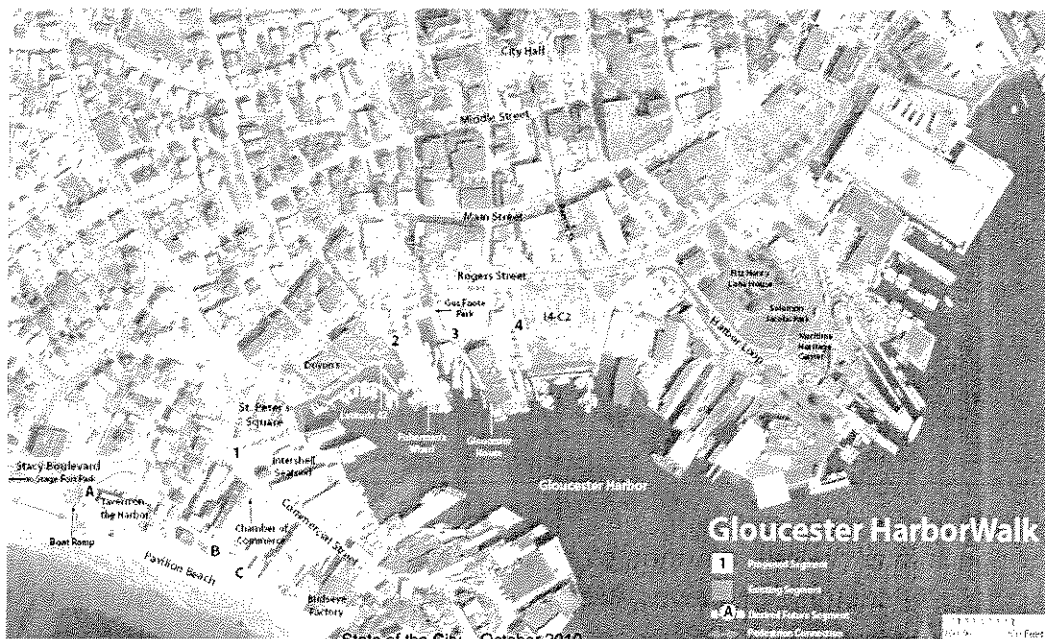
**2010 HARBOR ECONOMIC DEVELOPMENT PLAN:** *Another building block, this plan paints a bright picture for the future of Harbor and Downtown jobs, investment, and tax base expansion.*

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**STRATEGIC PUBLIC INVESTMENTS:** *With our state partners, the city is making two very strategic public investments in order to spur private investment.*

**The Harbor Walk will create an attractive, interesting, and much-needed downtown loop.**



**ATMOSPHERE FOR INVESTMENT:** *It is the city's great hope that I4-C2 can model a development that supports all segments of the harbor economy: Fishing Industry; Visitor-based; and Maritime economies.*

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## I4-C2 in Schematic Design Phase



**GLOUCESTER'S ECONOMIC FUTURE:** *The economic strategy for the city needs to be guided by community values – otherwise, nothing will get done!*

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**Gloucester's economic future will be built on:**

- Community support and values
- Clear development and economic plans
- Key public investments
- Atmosphere which spurs private investments which are aligned with the target segments: Fishing; Visitor-based; Maritime
  - Reinvestment and retention of waterfront properties on which the fishing industry relies
  - Cruiseport
  - Bird's Eye
  - Brew Pub
  - Hampton Inn
  - Gloucester Crossing
  - Ocean Alliance (non-profit)

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## *OTHER PRIORITIES*



**STATE OF EDUCATION:** *Delivery of education in the city is undergoing change.*

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- **School Committee's Focus:**
  - Superintendent search underway
  - Strategic planning process underway
- **There is more and more reliance on outside funding partners:**
  - Gloucester Education Foundation (GEF)
  - Gloucester Fisherman's Athletic Association (GFAA)
- **There is a Charter School open in Gloucester.**
- **Expanded Vocational Education:**
  - Commitment to Regional vocational school
  - Commitment to improving local vocational offerings

**STATE OF EDUCATION:** *Two realities within Gloucester Public Schools along with finite and diminishing resources sets the stage for a contentious debate over parent choices for education of their children.*

**REALITY #1:**

A school district with:

- Championship athletic teams
- Strong high school curriculum including AP course offerings
- Significant private donations to the middle school
- Graduates who consistently gain entrance to the country's top schools (MIT, Harvard, etc.)
- Relatively small, geographically spread out elementary schools with exceptional parent support

**REALITY #2:**

A school district:

- With a significant number of children choosing out to other districts (approx. 225)
- That ranks in the bottom 11% of all districts across the state for math and English Language Arts (DESE)
- That has already lost significant resources, and will continue to as outside pressures mount (recession, health insurance, charter school, regional vocational school, etc.)
- Punished by state funding formulas

*Respecting people's realities is the key to a civil debate about education in Gloucester.*

**2010 MCAS SCORE TRENDS:** *2010 trends show positive improvement.*

*The district is "graded on a curve", and improvement needs to keep pace with or be better than districts across the state. Otherwise, the district's rank on the "proficiency index" could fall resulting in a lifting of the city's charter school cap.*

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- Across the district improvement in 3<sup>rd</sup> grade reading scores, 3rd grade math, 5th grade language arts, 5th grade math and 5th grade science at the district level.
- At the district level, all are still 1 to 7 points below the state average. However, moving in the right direction.
- At the school level, East Gloucester, Plum Cove and West Parish are at or above the state average in 3rd grade reading, 5th grade math, 5th grade ELA, and in 5th grade science.
- Scores increased in 6th grade ELA, 6th grade math, 7th grade ELA, 7th grade math and 8th grade ELA but are, however, 3-14 points below state average.
- The district continues to make adequate yearly progress (AYP) in the aggregate in ELA and Math but not in the subgroups.
- O'Maley exceeds the state average in 7th grade ELA (not across all student groups).
- Beeman made AYP in ELA and Math across all student groups in 2010.
- By 10th grade students scored at the state average in ELA, Math and Science.

**CITIZEN PARTICIPATION / COMMUNICATION:** *The city values the active participation of citizens in all aspects of local government. We are also making progress on better and more sophisticated communication tools.*

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**NEW CITIZEN COMMITTEES:**

- Ad Hoc Water Committee
- Clean Energy Committee
- Open Space and Recreation
- Capital Improvements Advisory Board (Reconstituted)
- CPA Committee

**CODE RED:**

Emergency Notification System – sign-up if you haven't already

**NEW CITY WEBSITE:**

([www.gloucester-ma.gov](http://www.gloucester-ma.gov))

# www.gloucester-ma.gov

Gloucester, MA - Official Website - Internet Explorer - City of Gloucester IS Dept

gloucester-ma.gov

File Edit View Favorites Tools Help

Favorites Free Hotmail

Gloucester, MA - Official Website

Page Safety Tools

**CITY OF GLOUCESTER MASSACHUSETTS**

AMERICA'S OLDEST SEAPORT

47°F

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**ONLINE SERVICES**

**SNOW PARKING INFORMATION**

**CODE RED**

**GLOUCESTER NEWS** [VIEW ALL](#)

**Curbside Leaf Collection**  
The Fall curbside pick up of leaves will be the week of November 25th thru December 4th on your regular trash day. [Read More](#)

**State of the City Update**  
Mayor Carolyn Kirk will once again head out to the

**GLOUCESTER CALENDAR** [VIEW ALL](#)

Nov. 3  
Planning & Development Committee

Nov. 3  
State of The City by Mayor Carolyn Kirk

Nov. 4

**View Maps**

Gloucester

**GLOUCESTER CITY HALL**  
9 Dale Avenue  
Gloucester, MA 01930  
Ph: (978) 282-8000

Boston

Done

Internet 100%

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# *SUMMARY*



**SUMMARY – State of the City:** *The city is successful when we “plan the work, and work the plan.” Crises – infrastructure, financial, or otherwise – slow progress, force re-prioritization / re-allocation of resources, but getting ahead of the crisis cycle is the key to financial strength and improved quality of life in the city.*

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**FINANCIAL MANAGEMENT PLAN:**

- Steady bond rating
- Reversing 9-year decline of free cash
- Closing out deficits and producing positive free cash ( for FY10)
- Back on proper financial reporting schedule with DOR

**HARBOR PLAN:**

- Support for fishing industry and marine industrial businesses
- Expansion of commercial supporting use

**ECONOMIC DEVELOPMENT PLAN:**

Strategic public investments – I4-C2, Harbor Walk

**BABSON EMERGENCY REPAIR PLAN:**

Accomplished in 9 months – against the odds

**EMERGING PLANS:**

Capital Plan

Repair and Maintenance of School Buildings